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SP/CEN 70-061
6 April 1970

MEMORANDUM FOR THE RECORD

SUBJECT: Comments on Request For Conflict of Interest
Review; Case of [redacted]

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1. I have read the request of [redacted] to have the General Consul review for possible conflict of interest certain factors related to the formation of a commercial corporation.

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2. I wish to submit the following comments for consideration:

a. In my opinion adequate isolation is not provided by the transfer of responsibility for the [redacted] service contract to the [redacted]. It is part of [redacted] direct responsibility to provide engineering services and engineering support to the Research Analysis people. In fact at this moment in time, Research Analysis does not have an engineering capability in the field of digital and logic systems. It would place a heavy and unnecessary burden on the management of the [redacted] to have these two sections attempt to work around possible future interpretation of this relationship in terms of conflict.

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b. It should also be remembered that one of the primary functions of the [redacted] is to maintain an open channel in this field of engineering with the [redacted] and certain elements of the DDS&T/ORD. It should also be noted that the principals in this corporation are at this time under contract to the [redacted]

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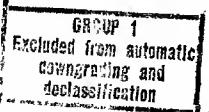
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[redacted]
Chief, Special Support Center, OC-SPD

cc: [redacted]
Chief, OC-SPD

OGC Has Reviewed

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Ogc 70-0571

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6 April 1970

MEMORANDUM FOR: General Counsel
THROUGH : Director of Communications
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FROM : [REDACTED] OC-SPD
SUBJECT : Request for Review of Factors Related to
a Potential Conflict of Interest; Case
of [REDACTED]

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1. The undersigned requests an official opinion from the Office of General Counsel concerning a potential conflict of interest. This request is being submitted at the suggestion of the [REDACTED] Security Officer to insure that the proposed commercial activity does not violate Agency conflict of interest regulations.

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2. The attached statement outlines the arrangement that is to be reviewed. Your guidance in this matter will be appreciated.

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Att
Statement of Intended
Arrangement

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Attachment to: Request for General Counsel Review for
Conflict of Interest; Case of [redacted]
[redacted]

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BACKGROUND:

On or about 14 March 1970, [redacted] (OC-SPD/CEN) and two close friends ([redacted] both Agency-cleared contractors formerly with [redacted] decided to combine their collective abilities and form a commercial operation. This decision was the result of several months of preliminary discussions on this general subject.

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INTENT:

The primary objective of this corporation will be the eventual development of a commercially available line of electronic products. Since the three principals have specialized over the past few years in Digital Systems and Computers, this would be the expected direction of future efforts.

In the interim, however, it is anticipated that it would be highly desirable to obtain commercial and/or government special systems and/or interface contracts.

INITIAL SUPPORT:

The initial impetus for the forming of this group is to be found in a personal services contract assigned to the corporation through one of the principals, Mr. [redacted]

[redacted] This contract, from [redacted] of [redacted], calls for [redacted] to provide maintenance services for both the [redacted] [redacted] This service is on systems originally manufactured by [redacted] [redacted].

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CONTRIBUTION OF PRINCIPALS:

The division of corporate responsibility and assigned stock will be on a 45-45-10 basis with [REDACTED] receiving 25X1A 10 percent of the issued corporate stock for a like investment in cash.

In return, the two major principals will draw salary and other benefits for their day-to-day efforts in the development and expansion of this corporation. [REDACTED] responsibility will be to serve where possible, without salary, and function as an interested consultant. 25X1A

As a normal practice, to prevent even a shadow of doubt concerning "conflict of interest", I will have to limit myself to discussion with the other principals only those technical areas and systems where all technical details are available to any interested observer. In addition, the normal security and propriety of internal future planning will be observed without exception.

POTENTIAL CONFLICT:

The potential "conflict of interest" centers on the previously mentioned [REDACTED] service contract for the [REDACTED] was the project engineer for this system during development and within his normal duties has coordinated maintenance support between [REDACTED] and the Agency since delivery of the system. 25X1A 25X1A

This coordination could be performed by the user of the systems, thus removing any direct conflict. The user, although in the same staff and location, is operationally and administratively under separate control. The undersigned does, however, coordinate, recommend and receive recommendations for electronic systems from this user, thus the actual association is close but administratively separated.

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CONCLUSION:

It is the belief of the undersigned that it will be possible to maintain an independent posture while performing the minor duties within the corporation as previously outlined.

This disclosure is a sincere attempt by the undersigned to convey for evaluation the complete set of circumstances and is a true and accurate account, in all details, to the best of my knowledge.



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